

**UMSHWATHI**

**LOCAL MUNICIPALITY**

**FINANCIAL STATEMENTS**

**AS AT**

**30 JUNE 2006**

**Municipal Manager**

**Chief Financial Officer**

**Date**

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*B. S. S.*  
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**uMshwathi Municipality****General Information****Members of the Executive Committee**

<b>Cir. B.M. Gwala</b>	<b>Mayor</b>
<b>Cir. S.S. Zondi</b>	<b>Deputy Mayor</b>
<b>Cir. M.J. Mkhize</b>	<b>Member</b>
<b>Cir. T. Gabela</b>	<b>Member</b>

**Grading of the Municipality****Grade 1****Auditors****The Office of the Auditor General****Bankers**

**First National Bank - Dalton**  
**Account No.:** 62025459232  
**Account Type:** Current

**Registered Office**

<b>Main Street</b>	<b>Private Bag 29</b>
<b>New Hanover</b>	<b>Wartburg</b>
<b>3233</b>	<b>3233</b>

**Telephone:** 033-5020280

**Municipal Manager****M.V. Cebekhulu****Chief Financial Officer****R.M. Mani****Approval of Financial Statements**

The annual financial statements set out on pages 7 to 22 were approved by the  
Municipal Manager on the 31 August 2006.

**FOREWORD**

I hereby present the Annual Financial Statements for the 2005/2006 financial year. The overall situation of the operations under review was that of a surplus although there were a few votes that were overspent. The financial position of the Municipality as at 30 June 2006 is sound. I would like to place on record the Council's appreciation of the efforts put in by the officials during the year under review.

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**Mayor**

## Chief Financial Officer's Report

I have the honour to present my Annual Report on the finances of the uMshwathi Municipality for the year ended 30 June 2006. The financial Statements are appended.

- 1 **OPERATING RESULTS**  
Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

	2004/2005	2005/2006
<b>1.1 Rate and General Services</b>		
Expenditure	14,922,897	19,609,986
Ordinary	0	0
Capital	14,922,897	19,609,986
Income	2,827,011	2,975,255
Assessment Rates	16,601,668	22,332,513
Other	19,428,579	25,307,768
Accumulated Surplus	4,505,882	5,687,803
Surplus/(Deficit) for year	8,259,140	15,361,664
Surplus brought forward	12,765,022	21,049,467
Add : Transfer from Funds	0	0
AFF	2,331,692	0
NDR	254,950	0
Prior year adjustments	15,351,664	21,049,467
Less : Contributions to capital Outlay	0	2,022,682
	15,351,664	19,026,805
<b>1.2 Water Services</b>		
Expenditure	2,519,323	1,865,610
Ordinary	0	0
Capital	2,519,323	1,865,610
Income	0	0
Assessment Rates	2,519,323	1,635,132
Other	2,519,323	1,635,132
Accumulated Surplus	0	-230,478
Surplus/(Deficit) for year	0	0
Surplus brought forward	0	-230,478
Add : Contributions from Rate and General	0	0
	0	-230,478
Less: Prior year adjustments	0	0
	0	-230,478

## 2 CAPITAL EXPENDITURE AND FINANCING

	2004/2005	2006/2006
Expenditure	11,859,567	4,502,432
Rate and General Services	0	0
Water Services	0	0
Public Improvement Fund	0	0
Housing Services	<u>11,859,567</u>	<u>4,502,432</u>
Financing	0	0
External Loans	9,430,010	0
Grants and Subsidies		
Endowments	2,429,557	4,502,432
Revenue Contributions to Capital Outlay	<u>11,859,567</u>	<u>4,502,432</u>

## 3 REVENUE ACCOUNTS

3.1 The Rate and General Services Accounts operated at a surplus for the year.

Although there was an overall surplus there were a few votes that were grossly overspent, namely telephones, conference and seminars, insurance, legal costs, bank charges, clinic costs and repairs and maintenance costs in the finance department.

Chief Financial Officer

## **Accounting Policies**

### **1 Basis of Presentation**

- 1.1 These financial statements have been prepared so as to conform to the standards as set out by Generally Accepted Municipal Accounting Practice.
- 1.2 The financial statements are prepared on the historical cost basis, and adjusted for capital expenditure as detailed in point 3 below.
- 1.3 The financial statements are prepared on the accrual basis:
  - Income is accrued when measurable and available to the finance department
  - Expense is accrued in the year it is accrued

### **2 Consolidation**

The balance sheet includes the Rate and General Services, Trading Services, and different funds, reserves and provisions. All inter departmental charges are setoff against each other, with the expenditure in the respective departments.

### **3 Fixed Assets**

- 3.1 Fixed Assets are stated;
  - At historical cost, or
  - At valuation (based on the municipal value at date of acquisition), where assets have been acquired by grant or donation.

While they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.
- 3.2 Fixed Assets are depreciated over their expected useful life in terms of GAMAP 113. Additions to existing assets are depreciated over the original life expectancy of the asset. The life expectancy can be reviewed and changed as and when the asset is upgraded or replaced.
- 3.3 All net proceeds from the sale of fixed property and other assets are credited to the Asset Financing Fund.
- 3.4. Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

#### **4. Funds and Reserves**

##### **4.1 Asset Financing Fund**

The Asset Financing Fund is created in terms of Generally Accepted Municipal Accounting Practice.

#### **5. Retirement Benefits**

Council's employees contribute to the Natal Joint Municipal Pension Fund which provides retirement benefits to such employees.

The retirement benefit plan is subject to the Pension Funds Act, 1956, with pension being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service cost.

#### **6. Surpluses and Deficits**

The Water Service is a closed account and any surplus is retained in that service for its own use.

#### **7. Investments**

Investments are shown at cost and are invested in the securities prescribed in Section 125 of the Local Authorities Ordinance No. 25, 1974.

#### **8. Income Recognition**

##### **8.1 Water Billings**

Meters are read and billed on a monthly basis.

##### **8.2 Assessment Rates**

Wartburg levies a rate on both land and buildings and a water rate is levied on land – refer note 8 to the financial statements.



## uMSHWATHI MUNICIPALITY

## BALANCE SHEET AS AT 30 JUNE 2006

	NOTE	2006	2005
<b>CAPITAL EMPLOYED</b>			
STATUTORY FUNDS	1	14,749,824	12,637,950
NON DISTRIBUTABLE RESERVES	2	21,500,121	22,738,351
DISTRIBUTABLE RESERVES		14,878,854	14,661,887
Unappropriated Surplus		16,360,647	14,115,984
Reserves	3	545,903	545,903
LONG TERM LIABILITIES	4	-	-
CONSUMER DEPOSITS	5	-	119,384
		<u>51,128,800</u>	<u>50,157,573</u>
<b>EMPLOYMENT OF CAPITAL</b>			
PROPERTY PLANT AND EQUIPMENT	6	28,852,886	27,317,035
INVESTMENTS	7	16,963,899	13,226,499
LONG TERM DEBTORS	8	535,197	1,005,016
<b>NET CURRENT ASSETS</b>		<b>4,776,818</b>	<b>8,609,023</b>
CURRENT ASSETS		7,792,746	10,433,805
DEBTORS: CONSUMERS	10	4,537,375	4,074,569
: OTHER	11	2,739,492	6,364,298
: VAT	11	337,480	788,011
CASH RESOURCES		-	-1,044,327
SHORT TERM PORTION: LONG TERM DEBTORS		178,399	251,254
CURRENT LIABILITIES		3,015,928	1,824,782
PROVISIONS		532,536	502,597
CREDITORS	12	965,005	1,322,185
BANK OVERDRAFT		1,518,387	-
LOANS: SHORT TERM PORTION OF LOANS	4	-	-
		<u>51,128,800</u>	<u>50,157,573</u>

## UMSHWATHI MUNICIPALITY

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2006 ACTUAL INCOME	2006 ACTUAL EXPENDITURE	2006 SURPLUS (DEFICIT)		2006 ACTUAL INCOME	2006 ACTUAL EXPENDITURE	2006 SURPLUS (DEFICIT)	2006 BUDGET
19,428,579	14,821,184	4,607,395	RATE AND GENERAL SERVICES	25,307,768	19,809,965	5,497,803	4,380,735
17,158,451	11,985,138	5,163,313	COMMUNITY SERVICES	23,575,510	17,401,289	6,175,221	4,860,975
670,238	1,346,178	(675,940)	SUBSIDISED SERVICES	404,348	1,363,498	(959,149)	(475,710)
1,588,890	1,479,888	120,022	ECONOMIC SERVICES	1,326,909	815,178	511,731	195,470
2,519,323	2,519,323	-	TRADING SERVICES	1,635,132	1,865,810	(230,478)	4,385
-	101,513	(101,513)	TOWNSHIP DEVELOPMENT	-	-	-	-
-	-	-	HOUSING SERVICES	-	-	-	-
<u>21,847,902</u>	<u>17,442,020</u>			<u>26,942,900</u>	<u>21,475,575</u>		<u>4,385,120</u>
		4,505,882	NET SURPLUS(DEFICIT) FOR THE YEAR			5,487,325	
		9,873,776	CONTRIBUTION KZNPA				
			ACCUMULATED SURPLUS AT BEGINNING OF YEAR			14,115,984	
			DEBTORS TAKE ON PRIOR YEARS				
		254,950	PRIOR YEAR ADJUSTMENTS:				
		(750,000)	CONTRIBUTION DOUBTFUL DEBTS			(1,200,000)	
			UNLISTED DEPOSITS				
			ADJUSTMENT SPECIAL FUNDS				
			UNDER PROVISION CREDITORS				
		(2,100,317)	APPROPRIATIONS FOR THE YEAR				
		2,331,892	TRANSFER TO/FROM ASSET FINANCING FUND			(2,022,862)	
			TRANSFER FROM NON DISTRIBUTABLE RESERVES				
		<u>14,115,684</u>	ACCUMULATED SURPLUS AT YEAR END			<u>18,380,847</u>	

**UMSHWATHI MUNICIPALITY**

**CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	NOTE	2006	2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
CASH RECEIPTS FROM RATEPAYERS, GOVERNMENT AND OTHER		25,991,735	21,040,058
CASH PAID TO SUPPLIERS AND EMPLOYEES LESS DEPRECIATION	18	<u>(18,136,841)</u>	<u>(15,201,175)</u>
INTEREST RECEIVED		7,854,894	5,838,883
CHANGE IN WORKING CAPITAL		951,165	907,844
		<u>(1,582,961)</u>	<u>-</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u><b>7,223,098</b></u>	<u><b>6,746,727</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		(4,502,432)	(11,859,568)
PROCEEDS ON DISPOSAL OF FIXED ASSETS			
RECEIPTS FROM LONG TERM DEBTORS		542,674	210,408
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u><b>(3,959,758)</b></u>	<u><b>(11,649,160)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
LOANS REPAYED		-	(2,666)
INCREASE IN CONSUMER DEPOSITS		-	2,654
OTHER CAPITAL RECEIPTS		-	9,273,491
DECREASE IN WORKING CAPITAL		-	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u><b>-</b></u>	<u><b>9,273,480</b></u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	19	<u><b>3,263,340</b></u>	<u><b>4,371,047</b></u>

## UMSHWATI MUNICIPALITY

## NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

## 1 FUNDS

	2008	2006
ASSET FINANCING FUND	11,219,673	9,325,755
HOUSING DEVELOPMENT ACCOUNT	3,530,151	3,312,195
<b>TOTAL STATUTORY FUNDS</b>	<b>14,749,824</b>	<b>12,637,950</b>

## ASSET FINANCING FUND

## MOVEMENT IN THE FUND IS RECONCILED AS FOLLOW

BALANCE AT BEGINNING OF YEAR	9,325,755	7,225,438
CONTRIBUTIONS RECEIVED	(1,456,082)	2,100,317
CASH UTILISED TO FINANCE PROPERTY, PLANT AND EQUIPMENT	3,350,000	-
<b>BALANCE AT THE END OF THE YEAR</b>	<b>11,219,673</b>	<b>9,325,755</b>

THE PURPOSE OF THE ASSET FINANCING FUND IS TO SET ASIDE CASH TO FINANCE FIXED ASSET ADDITIONS FROM INTERNAL SOURCES. THE CONTRIBUTION TO THE AFF IS BASED ON THE INTEGRATED DEVELOPMENT FUND FINANCING REQUIREMENTS. WHEN CASH IS USED TO FINANCE PROPERTY, PLANT AND EQUIPMENT, A CORRESPONDING AMOUNT IS TRANSFERRED TO A NON-DISTRIBUTABLE RESERVE (SEE NOTE 2). UNUTILISED CASH IS INVESTED AS SET OUT IN NOTE 9.

## HOUSING DEVELOPMENT ACCOUNT

## MOVEMENTS ARE RECONCILED AS FOLLOWS

BALANCE AT BEGINNING OF YEAR	3,312,195	3,390,902
RECEIPTS	-	-
APPROPRIATED	217,856	(78,707)
<b>BALANCE AT THE END OF THE YEAR</b>	<b>3,530,151</b>	<b>3,312,195</b>

THIS STATUTORY FUND IS REQUIRED IN TERMS OF NATIONAL HOUSING FUND REGULATIONS. THESE FUNDS CAN ONLY BE UTILISED TO RECOVER OUTSTANDING RENTALS, RENTAL/INSTALMENT SUBSIDIES, MAINTENANCE OF HOUSING STOCK AND TO CONSTRUCT NEW HOUSES.

## 2 NON-DISTRIBUTABLE RESERVES

## CAPITAL RECEIPTS

• USED TO FINANCE PROPERTY, PLANT AND EQUIPMENT	21,500,121	22,739,351
• UNUTILISED	21,500,121	22,685,249
TRANSFERS FROM ASSET FINANCING FUND USED TO FINANCE PROPERTY, PLANT AND EQUIPMENT	-	53,102
<b>TOTAL NON-DISTRIBUTABLE RESERVES</b>	<b>21,500,121</b>	<b>22,739,351</b>

## MOVEMENT CAN BE RECONCILED AS FOLLOW

## UNUTILISED CAPITAL RECEIPTS

BALANCE AT BEGINNING OF YEAR	53,102	3,508,856
CURRENT YEAR RECEIPTS	-	-
USED TO FINANCE CURRENT YEAR ADDITIONS	(53,102)	(3,455,554)
<b>BALANCE AT THE END OF THE YEAR</b>	<b>-</b>	<b>53,102</b>

THESE CAPITAL RECEIPTS REPRESENTS GOVERNMENT GRANTS, SUBSIDIES AND CONTRIBUTIONS FROM THE PUBLIC AND CAN ONLY BE USED FOR THE PURPOSE OF ACQUIRING SPECIFIED PROPERTY, PLANT AND EQUIPMENT. THESE AMOUNTS ARE INVESTED UNTIL UTILISED FOR THE PURPOSE INTENDED. (SEE NOTE 9).

## CAPITAL RECEIPTS (USED TO FINANCE PROPERTY, PLANT AND EQUIPMENT)

BALANCE AT BEGINNING OF YEAR	22,685,249	21,844,141
USED TO FINANCE CURRENT YEAR ADDITIONS	4,259,893	6,580,070
TRANSFER TO INCOME STATEMENT TO OFFSET DEPRECIATION CHARGE	-	-
TRANSFER OF WATER AND SANITATION ASSETS	(5,444,821)	(5,738,962)
<b>BALANCE AT THE END OF THE YEAR</b>	<b>21,500,121</b>	<b>22,685,249</b>

2006

2005

THESE AMOUNTS REPRESENT PROPERTY, PLANT AND EQUIPMENT FINANCED BY GOVERNMENT GRANTS, SUBSIDIES AND CONTRIBUTIONS FROM THE PUBLIC. THE INTENTION OF THE BENEFACTOR OF THESE AMOUNTS IS TO SUBSIDISE THE COST OF ACQUIRING PROPERTY, PLANT AND EQUIPMENT. ACCORDINGLY THESE AMOUNTS ARE RELEASED TO THE INCOME STATEMENT OVER THE ESTIMATED USEFUL LIVES OF THE PROPERTY, PLANT AND EQUIPMENT SO FINANCED TO OFFSET THE RELEVANT DEPRECIATION CHARGE. THE BALANCE OF THE RESERVE IS TRANSFERRED TO THE INCOME STATEMENT WHEN THE FIXED ASSET SO FINANCED IS DISPOSED.

#### TRANSFERS FROM ASSET FINANCING FUND

BALANCE AT BEGINNING OF YEAR  
USED TO FINANCE CURRENT YEAR ADDITIONS  
TRANSFER TO INCOME STATEMENT TO OFFSET DEPRECIATION CHARGE  
BALANCE AT THE END OF THE YEAR

0	0
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THESE AMOUNTS REPRESENT PROPERTY, PLANT AND EQUIPMENT FINANCED BY THE AFF. THESE AMOUNTS ARE RELEASED TO THE INCOME STATEMENT OVER THE ESTIMATED USEFUL LIVES OF THE PROPERTY, PLANT AND EQUIPMENT FINANCED FROM THIS SOURCE TO OFFSET THE DEPRECIATION CHARGE AND PREVENT DUPLICATION IN EXPENSES.

### 3 RESERVES and PROVISIONS

#### RESERVES

VALUATIONS	400,000	400,000
RÉPARAIS AND MAINTENANCE	145,903	145,903

RESERVES	545,903	545,903
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#### PROVISIONS

LEAVE	532,538	502,597
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### 4 LONG TERM LIABILITIES

ANNUITY LOANS  
BONDS

SUB TOTAL

LESS:

CURRENT PORTION TRANSFERRED TO CURRENT LIABILITIES

ANNUITY LOANS  
BOND COMMITMENTS  
SUB TOTAL

TOTAL

REFER TO APPENDIX "A" FOR MORE DETAIL

### 5 CONSUMER DEPOSITS - SERVICES

WATER	-	119,384
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TOTAL	-	119,384
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### 6 PROPERTY, PLANT AND EQUIPMENT AT NET BOOK VALUE

#### FULLY OWNED PROPERTY, PLANT AND EQUIPMENT

INFRASTRUCTURE	15,001,087	12,594,693
COMMUNITY	1,716,603	1,716,603
HERITAGE		
OTHER	12,237,452	10,141,415

SUB TOTAL	28,955,143	24,452,711
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#### INVESTMENT PROPERTIES

INFRASTRUCTURE	5,644,599	5,644,599
COMMUNITY		
HERITAGE		
OTHER	4,000,839	4,000,839

SUB TOTAL	9,645,438	9,645,438
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TOTAL	38,600,581	34,098,149
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DEPRECIATION	(9,747,694)	(6,781,114)
	28,852,886	27,317,035

REFER TO APPENDIX "B" FOR MORE DETAIL

	2006	2005
<b>7 INVESTMENTS</b>		
UNLISTED		
OTHER	16,963,899	13,226,499
	<u>16,963,899</u>	<u>13,226,499</u>
<b>COUNCIL'S VALUATION OF UNLISTED INVESTMENTS</b>		
OTHER	16,963,899	13,226,499
	<u>16,963,899</u>	<u>13,226,499</u>
<b>ALLOCATION OF EXTERNAL INVESTMENTS</b>		
IN TERMS OF LEGISLATION SURPLUS CASH IS INVESTED UNTIL USED FOR SPECIFIC PURPOSES. INVESTMENTS ARE ALLOCATED ON THE FOLLOWING BASIS		
HOUSING FUND	2,659,659	2,013,521
ASSET FINANCING FUND	11,219,873	9,162,922
UNUTILIZED CAPITAL RECEIPTS	-	-
RESERVES/PROVISIONS	1,076,439	1,048,500
DEPOSITS	-	-
CREDITORS	209,553	340,007
OPERATING ACCOUNT	1,797,575	961,549
TOTAL	<u>16,963,899</u>	<u>13,226,499</u>
<b>8 LONG TERM DEBTORS</b>		
HOUSING LOANS	713,596	1,256,270
WATER LOANS	-	-
SUNDRY LOANS	-	-
SUBTOTAL	<u>713,596</u>	<u>1,256,270</u>
LESS		
SHORT-TERM PORTION TRANSFERRED TO CURRENT ASSETS	178,369	251,254
TOTAL	<u>535,187</u>	<u>1,005,016</u>
<b>HOUSING LOANS</b>		
THESE LOANS WERE GRANTED IN ACCORDANCE WITH THE NATIONAL HOUSING REGULATIONS. THE MONTHLY INSTALMENTS ARE SUBSIDISED IN TERMS OF PREVIOUS REGULATIONS.		
<b>WATER LOANS</b>		
TO ENCOURAGE TENANTS TO CONNECT THE WATER RETICULATION NETWORK IN TRUST FEED, LOW INTEREST LOANS WERE GRANTED TO FINANCE THE COST TO CONSUMERS. THESE LOANS WERE/ARE REPAYABLE OVER 36 TO 60 MONTHS.		
<b>SUNDRY LOANS</b>		
THIS IS A SUBSIDISED CAR LOAN GRANTED BY THE COUNCIL TO THE MUNICIPAL MANAGER		
<b>9 INVENTORY</b>		
UNSOLD PROPERTIES	-	-
STOCK	-	-
TOTAL	<u>-</u>	<u>-</u>
STOCK IS NET OF PROVISIONS FOR OBSOLENCE		
<b>10 CONSUMER DEBTORS</b>		
SERVICE DEBTORS		
RATES	2,786,191	2,332,123
SUNDRY	3,438,659	2,276,975
SANITATION	-	-
SERVICES/OTHER	413,132	340,586
HOUSING RENTALS	871,492	896,974
SUB TOTAL	<u>7,509,474</u>	<u>5,846,658</u>
LESS		
PROVISION FOR BAD DEBT	2,872,099	1,772,099
TOTAL	<u>4,637,375</u>	<u>4,074,559</u>

## THE AGEING OF DEBTORS IS AS FOLLOWS

## RATES

	2006	2005
CURRENT	224,325	227,755
30-90 DAYS	107,927	40,620
91-120 DAYS	81,121	74,964
121-365 DAYS	71,921	65,997
+ 365 DAYS	2,300,897	1,922,797
TOTAL	2,786,191	2,332,123

## SERVICES (REFUSE AND SUNDRY)

CURRENT	24,859	25,662
30-90 DAYS	174,433	1,998
91-120 DAYS	171,801	390,817
121-365 DAYS	166,040	129,322
+ 365 DAYS	3,314,658	2,069,773
TOTAL	3,851,791	2,617,571

## HOUSING RENTALS

CURRENT	871,482	898,974
TOTAL	871,482	898,974

## BAD DEBT PROVISION

THE BAD DEBT PROVISION IS CALCULATED ON THE AGEING OF DEBTORS. COUNCIL'S POLICY IS TO PROVIDE ON ALL DEBTOR BALANCES WHICH ARE OUTSTANDING FOR MORE THAN 12 MONTHS, LESS AMOUNTS SUBSEQUENTLY PAID 2 MONTHS AFTER YEAR END, PLUS 50% OF ALL DEBTORS OUTSTANDING FOR MORE THAN 90 DAYS AND A GENERAL PROVISION OF 5% ON ALL OTHER DEBTORS WHOSE RECOVERY IS IN DOUBT, IT MUST BE NOTED THAT THE PROVISION IN THE CURRENT YEAR HAS BEEN REDUCED DUE TO THE FACT THAT A LARGE AMOUNT OF COOL AIR RATES DEBTORS WERE WRITTEN OFF BECAUSE THEY WERE RAISED TWICE

## 11 OTHER DEBTORS

PAYMENTS MADE IN ADVANCE	1,244	1,244
SHORT TERM LOANS AND OTHER	2,738,248	6,363,064
VAT	337,480	788,011
TOTAL	3,076,972	7,152,309

## 12 CREDITORS

TRADE CREDITORS	7,758	340,077
DEPOSITS: OTHER	201,795	
OTHER	584,687	791,343
AMOUNTS RECEIVED IN ADVANCE	190,785	190,785
TOTAL	985,005	1,322,185

## 13 ASSESSMENT RATES

COMBINED	2,975,255	2,627,011
TOTAL	2,975,255	2,627,011

## 14 VALUATIONS

RESIDENTIAL	85,047,850	85,047,850
BUSINESS / INDUSTRY	69,394,300	69,394,300
NON RATABLE - MUNICIPAL	64,500	64,500
TOTAL	154,506,650	154,506,650

## 15 NET SURPLUS FOR THE YEAR

2006	2005
5,467,324	1,655,565

The following has been taken into account in determining the net surplus for the year:

## DEPRECIATION

FULLY OWNED PROPERTY, PLANT AND EQUIPMENT		
INFRASTRUCTURE	3,270,252	2,265,617
OTHER		
SUB TOTAL	3,270,252	2,265,617
INVESTMENT PROPERTIES		
INFRASTRUCTURE		
SUB TOTAL	-	-
TOTAL DEPRECIATION	3,270,252	2,265,617

## COUNCILLORS' REMUNERATION

MAYOR	162,622.00	214,446.00
DEPUTY MAYOR	85,567.00	85,567.00
SPEAKER	85,567.00	85,567.00
EXECUTIVE COMMITTEE MEMBERS	161,746.00	161,746.00
COUNCILLORS	871,500.00	871,500.00
	1,367,002.00	1,418,826.00

## INVESTMENT INCOME

INTEREST RECEIVED	951,165	907,844
RENTAL RECEIVED	175,015	100,284
TOTAL INVESTMENT INCOME	1,126,180	1,008,128

## CONTRIBUTIONS TO PROVISIONS

STAFF LEAVE	-	-
TOTAL PROVISIONS	-	-

## AUDITORS REMUNERATION

FEES FOR AUDIT	298,093	274,281
EXPENSES		
PRIOR YEAR (OVER) / UNDER PROVISION		
TOTAL AUDITORS REMUNERATION	298,093	274,281

## ABNORMAL EXPENSES

ADDITIONAL BAD DEBT PROVISION	1,200,000	750,000
TOTAL ABNORMAL EXPENSES	1,200,000	750,000

## PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES

INTER-GOVERNMENTAL TRANSFERS	17,442,306	11,962,306
TOTAL PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES	17,442,306	11,962,306

NOTE: Interest paid by the External Financing Fund amounting to R 3389 had not been recovered from the relevant service accounts at year end. This will be adjusted during the ensuing year and has been deducted from the unappropriated surplus.

## 16 REVENUE

ASSESSMENT RATES	2,975,255	2,827,011
REVENUE FROM TARIFFS	322,857	321,928
FINES	178,003	409,370
GOVERNMENT GRANTS AND SUBSIDIES	17,442,306	11,962,306
INTEREST	951,165	907,844
RENTAL INCOME	175,015	118,001
OTHER INCOME	4,897,199	5,381,442
TOTAL INCOME	26,642,800	21,947,902

## 17 TRANSFER FROM NON-DISTRIBUTABLE RESERVES

TRANSFERS FROM CAPITAL RECEIPTS UTILISED TO FINANCE FIXED ASSETS		
TRANSFERS FROM ASSET FINANCING FUND UTILISED TO FINANCE FIXED ASSET	2,022,662	2,331,692
ADDITIONS (SEE NOTES 1 AND 2)		
TOTAL OF TRANSFERS	2,022,662	2,331,692



	2006	2005
<b>18 CASH GENERATED BY OPERATIONS</b>		
NETT SURPLUS FOR THE YEAR	5,487,324	1,655,585
ADJUSTMENTS FOR :-		
PRIOR YEAR		
DEPRECIATION	3,270,252	2,265,617
CONTRIBUTIONS TO ASSET FINANCING FUND	-	2,100,317
INVESTMENT INCOME	(951,165)	(1,008,128)
TRANSFER TO RESERVES	68,483	
INTEREST PAID UNDER - RECOVERY : EXTERNAL FINANCING FUND		
HOUSING OPERATING ACCOUNT TRANSACTIONS		
OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES	<u>7,854,894</u>	<u>5,013,371</u>
INCREASE IN DEBTORS	3,612,531	(4,614,418)
DECREASE IN CREDITORS	357,180	212,120
DECREASE IN PROVISIONS AND RESERVES		
DECREASE IN INVENTORY		
CASH GENERATED BY OPERATIONS	<u>11,824,605</u>	<u>611,074</u>
<b>19 CASH AND CASH EQUIVALENTS</b>		
BALANCE AT END OF YEAR	15,445,512	12,182,172
BALANCE AT BEGINING OF YEAR	12,182,172	16,553,219
NET INCREASE / ( DECREASE) IN CASH AND EQUIVALENTS	<u>3,263,340</u>	<u>(4,371,047)</u>
<b>20 CAPITAL COMMITMENTS</b>		
COMMITMENTS IN RESPECT OF CAPITAL EXPENDITURE		
APPROVED BUT NOT YET CONTRACTED FOR	2,022,662	2,100,317
TOTAL CAPITAL COMMITMENTS	<u>2,022,662</u>	<u>2,100,317</u>
THIS EXPENDITURE WILL BE FINANCED FROM :		
INTERNAL SOURCES	2,022,662	2,100,317
EXTERNAL SOURCES		
TOTAL OF FINANCE SOURCES	<u>2,022,662</u>	<u>2,100,317</u>
<b>21 CONTINGENT LIABILITIES</b>		

The case between the former Municipal Manager and the municipality is still pending. The outcome will be finalised in the 2006/2007 financial year.

**Appendix "A"****UMSHWATHI MUNICIPALITY****EXTERNAL LOANS AS AT 30 JUNE 2006**

	Balance beginning of the year R	Raised during the year R	Redeemed during the year R	Balance as at 30 June R
Development Bank R 122850 - 9%	-		0	-
Development Bank	-		0	-
	0		0	0
<b>Bonds</b>				
Standard Bank	0		0	-

## Appendix "B"

Fixed Assets							
Code	Description	Balance 30-Jun-05	Addition	Balance 30-Jun-06	Acc. Depreciation 30-Jun-05	Depreciation	Acc. Depreciation 30-Jun-06
B00	Land	3,152,879.04	0.00	3,152,879.04	0.00	0.00	0.00
B03	Fencing	97,197.10	0.00	97,197.10	51,164.39	17,056.27	68,220.66
B05	Buildings	6,929,950.45	3,306,775.09	10,236,725.54	602,065.37	253,186.35	855,251.72
B10	Air Conditioners	67,720.25	0.00	67,720.25	58,686.53	2,212.20	60,898.73
B15	Service Connections	5,900.00	0.00	5,900.00	2,198.00	296.16	2,494.16
B16	Professional/Planing	390,643.81	0.00	390,643.81	231,356.80	67,441.57	298,798.37
B20	Construction Works	20,573,747.02	1,049,835.65	21,623,582.67	4,332,588.69	2,376,767.52	6,709,356.21
B50	Furniture	512,739.66	0.00	512,739.66	446,500.93	3,952.92	450,453.85
B55	Office and Accounting Machines	659,984.78	0.00	659,984.78	496,942.99	83,782.97	580,725.96
B60	Tools	66,794.28	0.00	66,794.28	51,792.37	10,201.38	61,993.75
B65	Machinery: Other	204,515.68	17,411.97	221,927.65	199,790.01	48,349.18	248,139.19
B70	Vehicles and Tractors	1,398,354.97	128,409.60	1,526,764.57	271,588.93	102,880.93	374,469.86
B75	Radios	37,721.76	0.00	37,721.76	36,438.81	452.76	36,891.57
		34,098,148.80	4,502,432.31	38,600,581.11	6,781,113.82	2,966,580.21	9,747,694.03

28,852,887.08

## Appendix "C"

## UMSHWATHI MUNICIPALITY

## ANALYSIS OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

ACTUAL 2005		ACTUAL 2006	BUDGET 2006
<b>INCOME</b>			
11,982,306	GOVERNMENT AND PROVINCIAL GRANTS AND SUBSIDIES	17,442,306	17,806,000
2,827,011	RATES INCOME	2,975,255	2,924,250
2,519,323	SALE OF WATER	1,635,132	2,488,500
-	OTHER INCOME	-	-
4,619,262	INCOME FROM TARIFFS AND CHARGES	4,890,207	4,702,500
<b>21,947,902</b>	<b>TOTAL INCOME</b>	<b>26,942,900</b>	<b>27,921,250</b>
<b>EXPENDITURE</b>			
7,897,704	EMPLOYMENT COSTS	9,292,966	9,954,430
6,603,121	GENERAL EXPENSES	7,854,026	11,531,700
1,939,884	BULK PURCHASES: WATER	922,672	1,961,750
4,663,237	OTHER	6,931,354	9,569,950
700,350	REPAIRS AND MAINTENANCE	988,849	800,000
-	CAPITAL CHARGES	-	-
-	FINANCE COSTS	-	-
2,240,845	PROVISION FOR DEPRECIATION	3,270,252	1,250,000
2,100,317	CONTRIBUTIONS TO FIXED ASSETS	-	3,635,120
750,000	CONTRIBUTIONS TO RESERVES/PROVISIONS	68,483	750,000
<b>20,292,337</b>	<b>SUB TOTAL EXPENDITURE</b>	<b>21,475,576</b>	<b>27,921,250</b>
-	AMOUNTS ALLOCATED ELSEWHERE	-	-
<b>20,292,337</b>	<b>TOTAL EXPENDITURE</b>	<b>21,475,576</b>	<b>27,921,250</b>
<b>1,655,565</b>	<b>NET RESULT</b>	<b>5,467,324</b>	<b>-</b>

## UMSHWATHI MUNICIPALITY

## SEGMENTED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Actual Income 2005 R	Actual Expenditure 2005 R	Surplus/ (Deficit) 2005 R		Actual Income 2006 R	Actual Expenditure 2006 R	Surplus/ (Deficit) 2006 R	Budget Surplus/ (Deficit) 2006 R
19,428,579	14,821,184	4,607,395	<b>Rates and General Services</b>	25,307,768	19,609,965	5,697,803	4,380,735
17,158,451	11,995,138	5,163,313	<b>Community Services:</b>	23,576,510	17,401,289	6,175,221	4,680,975
2,194,103	4,250,369	(2,056,266)	COUNCIL GENERAL	2,582,311	6,206,546	(3,624,235)	(7,425,700)
1,004,905	39,255	965,650	RATES: WARTBURG	2,975,255	165,982	2,809,273	2,784,250
728,153	19,798	708,355	RATES: COOL AIR	-	-	-	-
417,348	85,043	332,305	RATES: NEW HANOVER	-	-	-	-
594,873	7,571	587,302	RATES: DALTON	-	-	-	-
23,812	-	23,812	RATES: TRUST FEED	-	-	-	-
58,120	1,041	57,079	RATES: ALBERT FALLS	-	-	-	-
11,962,306	-	11,962,306	GRANTS	17,442,306	-	17,442,306	17,806,000
-	282,295	(282,295)	MUNICIPAL MANAGER	-	813,906	(813,906)	(978,585)
-	590,320	(590,320)	CORPORATE SERVICES	-	1,302,756	(1,302,756)	(1,214,925)
-	42,120	(42,120)	MUNICIPAL BUILDINGS: WARTBURG	175,015	189,445	(14,430)	-
-	8,376	(8,376)	MUNICIPAL BUILDINGS: COOL AIR	-	-	-	-
97,944	20,715	77,229	MUNICIPAL BUILDINGS: NEW HANOVER	-	-	-	-
-	34,689	(34,689)	MUNICIPAL BUILDINGS: DALTON	-	-	-	-
-	58,883	(58,883)	MUNICIPAL BUILDINGS: TRUST FEED	-	-	-	-
5,144	32,290	(27,146)	MUNICIPAL BUILDINGS: ALBERT FALLS	-	-	-	-
15,659	-	15,659	COMMUNITY HALL: COOLAIR	10,283	-	10,283	15,000
-	7,592	(7,592)	COMMUNITY HALL: NEW HANOVER	-	-	-	-
-	1,598,646	(1,598,646)	FINANCIAL: WARTBURG	-	5,200,061	(5,200,061)	(2,967,425)
-	52,937	(52,937)	FINANCIAL: COOL AIR	-	-	-	-
-	18,738	(18,738)	FINANCIAL: NEW HANOVER	-	-	-	-
-	348,986	(348,986)	FINANCIAL: TRUST FEED	-	-	-	-
-	242,511	(242,511)	TECHNICAL SERVICES	-	257,362	(257,362)	(304,640)
28,439	2,643,403	(2,614,964)	DANIDA PROJECT	411,340	3,263,334	(2,851,994)	(3,043,000)
-	370,370	(370,370)	PUBLIC WORKS: WARTBURG	-	-	-	-
164	290,689	(290,525)	PUBLIC WORKS: COOL AIR	-	-	-	-
-	203,814	(203,814)	PUBLIC WORKS: NEW HANOVER	-	-	-	-
7,681	35,678	(27,997)	PUBLIC WORKS: DALTON	-	-	-	-
-	665,706	(665,706)	PUBLIC WORKS: TRUST FEED	-	-	-	-
-	-	-	PUBLIC WORKS: ALBERT FALLS	-	-	-	-
-	15,594	(15,594)	RECREATION: COOL AIR	-	-	-	-
-	58,729	(58,729)	TAXI/BUS RANK: WARTBURG	-	1,997	(1,997)	(10,000)
-	-	-	TAXI/BUS RANK: DALTON	-	-	-	-
-	-	-	Assessment Rates	-	-	-	-
-	-	-	Administration	-	-	-	-
-	-	-	Public Hall	-	-	-	-
-	-	-	Health Services	-	-	-	-
-	-	-	Public Works	-	-	-	-
-	-	-	Traffic	-	-	-	-
-	-	-	Equitable Share	-	-	-	-
-	-	-	Estates	-	-	-	-
-	-	-	Community Service	-	-	-	-
670,236	1,346,178	(675,940)	<b>Subsidiary Services</b>	404,349	1,393,498	(989,149)	(475,710)
5,142	64,833	(59,691)	LIBRARY: WARTBURG	1,083	164,485	(163,402)	(170,150)
-	27,835	(27,835)	LIBRARY: COOL AIR	-	-	-	-
-	45,755	(45,755)	LIBRARY: NEW HANOVER	-	-	-	-
-	-	-	LIBRARY: DALTON	-	-	-	-
-	-	-	Library	-	-	-	-
235,035	491,475	(256,440)	HEALTH	-	-	-	-
409,370	711,556	(302,186)	CLINIC	205,898	533,835	(327,937)	(97,730)
-	-	-	TRAFFIC	177,820	695,178	(517,358)	(232,830)
9,240	582	8,658	CEMETERY: WARTBURG	19,448	-	19,448	25,000
11,300	4,142	7,158	CEMETERY: COOL AIR	-	-	-	-
151	-	151	CEMETERY: NEW HANOVER	-	-	-	-
-	-	-	CEMETERY: TRUST FEED	-	-	-	-
1,599,890	1,479,868	120,022	<b>Economic Services</b>	1,326,809	815,178	511,731	185,470
737,089	357,794	379,295	MOTOR LICENCING	925,137	401,051	524,086	207,970
171,822	246,133	(74,311)	SEWER: COOL AIR	-	-	-	-
288,888	215,678	74,311	SEWER: NEW HANOVER	-	-	-	-
107,186	748,298	(641,112)	CLEANING: WARTBURG	322,957	345,727	(22,770)	(50,000)
105,202	-175,709	281,911	CLEANING: COOL AIR	-	-	-	-
78,180	-	78,180	CLEANING: NEW HANOVER	-	-	-	-
30,360	713	29,647	CLEANING: DALTON	-	-	-	-
79,062	88,961	(7,899)	POSTAL SERVICES	78,815	88,400	10,415	37,500
-	-	-	Postal Agency	-	-	-	-
-	-	-	Sewerage	-	-	-	-
-	-	-	Refuse	-	-	-	-

## UMSHWATHI MUNICIPALITY

## SEGMENTED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Actual Income 2005 R	Actual Expenditure 2005 R	Surplus/ (Deficit) 2005 R		Actual Income 2005 R	Actual Expenditure 2005 R	Surplus/ (Deficit) 2005 R	Budget Surplus/ (Deficit) 2005 R
2,519,323	2,519,323	-		1,835,132	1,885,610	(230,478)	4,385
623,448	526,503	96,945	Trading Service:	1,635,132	1,865,610	(230,478)	4,385
452,978	568,172	(115,196)	WATER & Sanitation	-	-	-	-
444,995	665,784	(220,789)	WATER: COOL AIR	-	-	-	-
351,504	298,885	51,639	WATER: NEW HANOVER	-	-	-	-
118,667	171,770	(53,103)	WATER: DALTON	-	-	-	-
-	287,228	(287,229)	WATER: TRUST FEED	-	-	-	-
527,733	527,733	527,733	WATER: ALBERT FALLS	-	-	-	-
-	101,513	(101,513)	District	-	-	-	-
-	101,513	(101,513)	TOWNSHIP DEVELOPMENT	-	-	-	-
-	101,513	(101,513)	NEW HANOVER	-	-	-	-
-	-	-	Housing	-	-	-	-
21,947,902	17,442,020	4,505,882	TOTAL	26,942,900	21,475,575	5,467,325	4,385,120

## UMSHWATHI MUNICIPALITY

## ACCUMULATED FUNDS AT 30 JUNE 2006

	Balance beginning of year R	Contribution during the year R	Interest received during year R	Expenditure during the year R	Balance as at 30 June R
<b>STATUTORY FUNDS</b>					
ASSET FINANCING FUND	9,325,755	3,350,000	0	1,456,082	11,219,673
	0	0	0	0	0
HOUSING ACCOUNT	3,312,195	217,958	0	0	3,530,151
	<u>10,535,068</u>	<u>3,567,958</u>	<u>0</u>	<u>1,456,082</u>	<u>14,749,824</u>
<b>RESERVES AND PROVISIONS</b>					
Doubtful Debts	1,772,099	1,200,000			2,972,099
Staff Leave	502,597	68,083		38,144	532,536
Valuations	400,000	0			400,000
Repairs and Maintenance	145,903				145,903
	<u>2,820,599</u>	<u>1,268,083</u>	<u>0</u>	<u>38,144</u>	<u>4,050,538</u>

**uMSHWATHI MUNICIPALITY****Statistical Information****2006****1 General Statistics**

a)	Population	
	All Race Groups	+/- 110 000
b)	Valuation	
	Residential	85,047,850
	Commercial	69,394,300
	Non-rateable	64,500
c)	Number of Employees	
	Salaried Personnel	90
	Casual/Wage earners	

**2 Water Statistics**

a)	Number of users	2,600
b)	Units purchased	-
c)	Units sold and Free Basic Water	-
d)	Units lost in distribution plus Stocks on Hand	-
e)	Percentage lost in distribution	-
f)	Cost per unit sold (average)	-

**3 Sundry Statistics**

a)	Area	+/- 1 800 sq kms
b)	Registered Voters	+/- 37 000
c)	Parks and Recreations	
	Number of Parks/Sportsfields	6
	Number of Swimming Pools	
d)	Licences issued - Vehicle registrations	
e)	Library books issued	
f)	Roads (kms)	+/- 50 kms